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JULY 1974

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# Alberta ECONOMIC OUTLOOK

## JULY, 1974

### NATIONAL AFFAIRS

On July 23, 1974, the Bank of Canada increased the bank rate from a record 8¾% to 9¼%. This was the second increase since April 15, 1974, at which time the rate was 7¼% and the eighth increase since April 1973, when the rate was 5¼%.

This move represents a continuing response to rising American interest rates, as well as Canada's continuing high level of inflation and credit demand.

It now appears that those observers who were predicting prime rates around 7% to 8% by late 1974 were being overly optimistic. Until consumers and investors feel that they should delay their purchases, the prospect for an easing of the present monetary situation remains in doubt.

### PROVINCIAL AFFAIRS

#### Survey of Opinion on Manpower and Material Shortages

A survey of the Alberta construction industry was conducted by the Department of Industry and Commerce to discover what problems were being encountered and expected to develop as a result of the massive developments announced for Alberta during the next decade. Union and management representatives were questioned as to their views on what difficulties were being experienced and expected, particularly with regard to labour and material shortages.

#### Summary of Comments

**A. Materials and Equipment**

Most construction company executives felt that the present "tight" market for basic construction materials will persist for the remainder of this year and perhaps for 1975 as well. They recognize the shortage as a world-wide problem, resulting in rapidly escalating prices. Structural and reinforcing steel were reported as being the scarcest. In addition, some construction executives, however, stated that the supply is available "if you can or if you are willing to pay the price."

Electrical and mechanical equipment and installations and roofing materials were also mentioned as in short supply.

Extended delivery dates of materials and equipment have also been noticeable in the construction industry and this has delayed completion of some projects by as much as 30%. Companies have reacted to this situation in various ways; by purchasing some materials and equipment as early as the project planning stage; accepting delivery of materials even if they are not needed yet, "stock piling" or, increasing storage facilities to add stability to their supply of materials.

**B. Labour**

Our survey confirmed the concern about the availability of labour for proposed projects in Alberta within the next few years. The construction industry is already experiencing a tight labour market with its current workload, and if all the major projects proposed come to fruition then the manpower problem will become more severe. Survey respondents also pointed out that the high level of construction activity throughout Canada has weakened reliance on labour from other provinces as potential sources of supply. Other highlights from this survey were as follows:

- Shortages are most pronounced at present, for carpenters and heavy equipment mechanics and operators. Other hard trades such as boilermakers, pipefitters, pipe welders and ironworkers are also in great demand. Unfilled requirements for supervisory personnel such as construction superintendents, project managers, etc. are also evident.
- It does not seem difficult to attract workers for projects in urban or near urban centres and for

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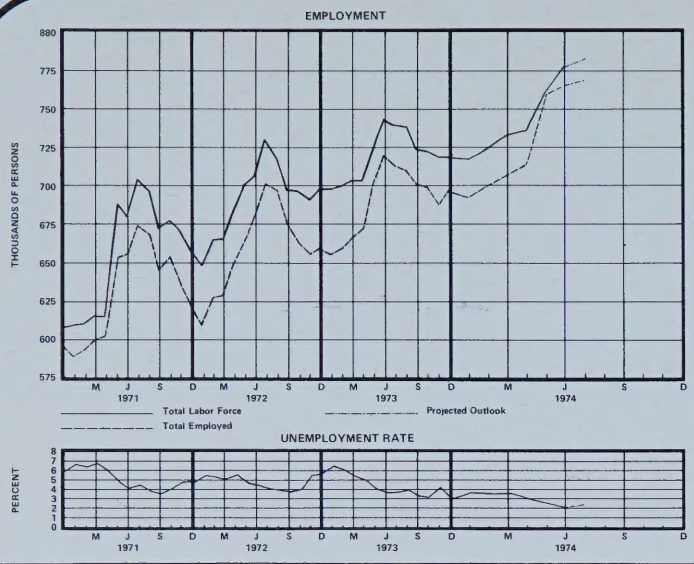
Alberta
INDUSTRY AND COMMERCE

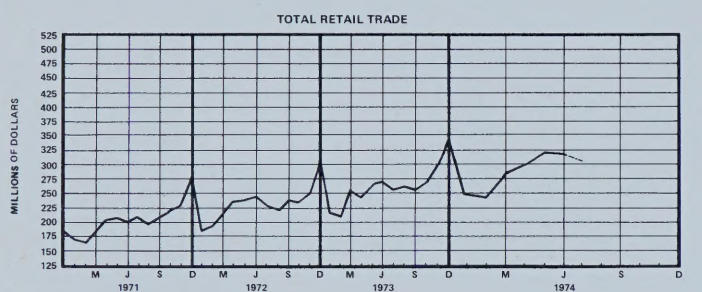
IT Dept




## EMPLOYMENT

| EMPLOYMENT | Actual Data | | | | Forecast |
|---|---|---|---|---|---|
| | June/74 | May/74 | June/73 | July/73 | July/74 |
| Labour force | 776,000 | 757,000 | 740,000 | 740,000 | 784,000 |
| Number employed | 760,000 | 738,000 | 716,000 | 714,000 | 767,000 |
| Number unemployed | 16,000 | 20,000 | 24,000 | 26,000 | 17,000 |
| Unemployment rate | 2.1% | 2.6% | 3.2 | 3.5 | 2.2 |

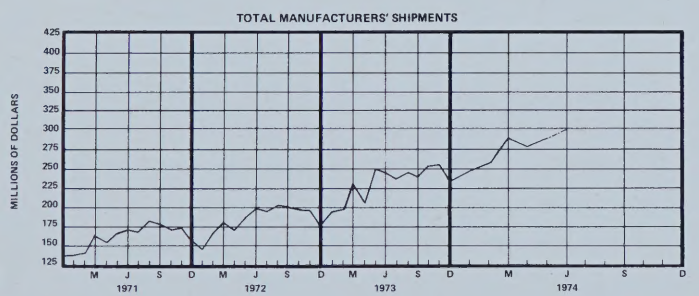
Comments: The Alberta Economy continued strong in June as reflected by the labour force statistics. The June unemployment rate of 2.1 percent was the lowest monthly rate achieved since September, 1969. It is unlikely however, that the monthly rate will continue to decline much further during the remainder of 1974.




## RETAIL TRADE
$ Millions

| Retail Trade | May | | % | Jan. — May. | | % | Forecast |
|---|---|---|---|---|---|---|---|
| | 1973 | 1974 | Change | 1973 | 1974 | Change | June/74 |
| Value of Retail Trade in Alberta | 260.6 | 323.0 | +23.9 | 1182.4 | 1399.0 | +18.3 | 317.0 |

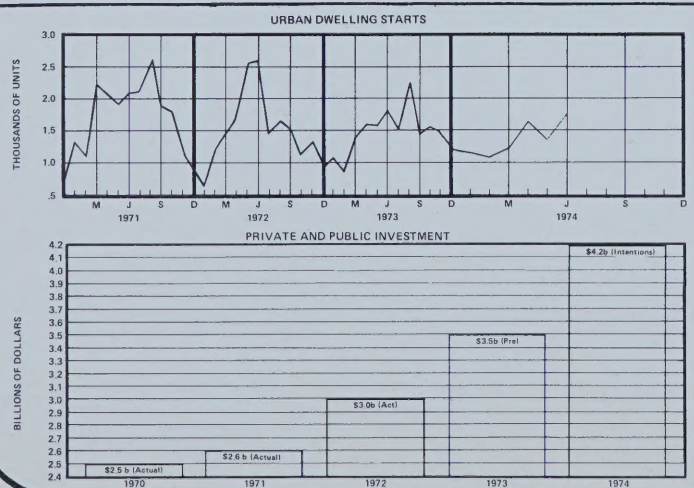
Comments: June's forecast is almost 17 percent higher than June 1973. Prospects for July, 1974, are for the usual seasonal decline, to approximately $303 million, a 19 percent increase over the July 1973 value.




## MANUFACTURING SHIPMENTS
$ Millions

| Manu-facturing Shipments | May | | % | Jan. — May | | % | Forecast |
|---|---|---|---|---|---|---|---|
| | 1973 | 1974 | Change | 1973 | 1974 | Change | June/74 |
| Total manu-facturing shipments | 249.3 | 286.5 | 14.9 | 1,094.4 | 1,340.2 | 22.5 | 298.4 |

Comments: June's forecast is 22.5 percent higher than June 1973. The outlook for July is for little change to a value of $296.7 million, representing a 25.6 percent increase over the July 1973 level of $236.3 million.

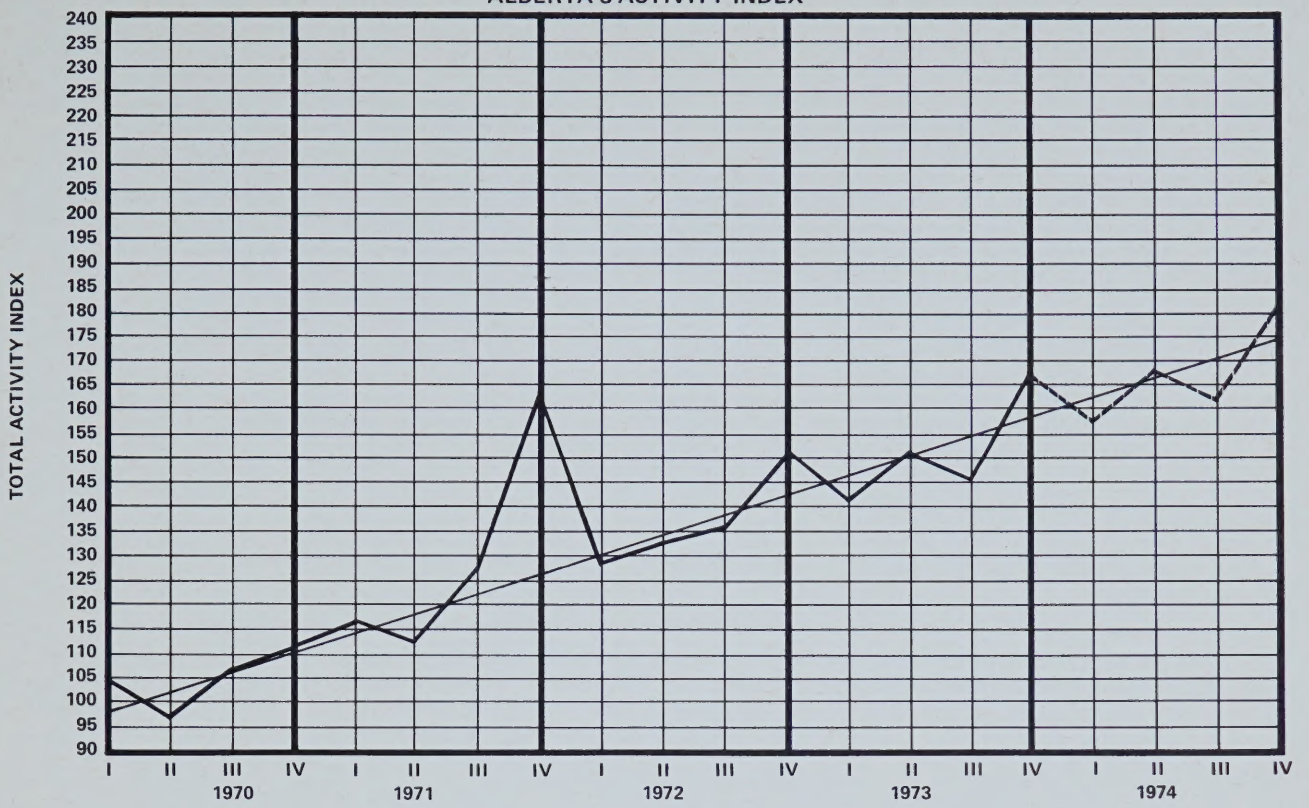



## HOUSING

| Urban Dwelling starts: | May | | % | Jan. — May | | % | Forecast |
|---|---|---|---|---|---|---|---|
| | 1973 | 1974 | Change | 1973 | 1974 | Change | June/74 |
| Alberta total | 1,582 | 1,365 | -13.7 | 6,390 | 6,444 | + .8 | 1,721 |
| Calgary total | 641 | 510 | -20.4 | 2,800 | 3,062 | + 9.4 | — |
| Edmonton total | 748 | 540 | -27.8 | 2,774 | 2,377 | - 14.3 | — |

Comments: The June forecast is approximately 7 percent below the June 73 total. June's forecast brings the second quarter forecast to 4,734, 6 percent less than the comparable figure one year ago. We still maintain the 1974 level of Housing starts will be approximately the same as the year before. Mortgage finance remains limited in Calgary and Edmonton, with rates maintaining their 11-12 percent average.

## ALBERTA'S ACTIVITY INDEX




## PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

| INDICATOR | Percentage Change in Volume Activity<br>Total Year<br>1972 - 1971 | <br>Total Year<br>1973 - 1972 | <br>Year to Date<br>1974 - 1973 |
|---|---|---|---|
| **MANUFACTURING** | | | |
| Slaughtered Meat Production | + 3.3 | - 2.2 | - 0.5 (Jan. — May) |
| Slaughtered Meat Exported | + 5.3 | - 0.6 | + 5.6 (Jan. — May) |
| Refinery Production | +21.4 | +10.0 | +16.0 (Jan. — Apr.) |
| Cement Production | + 3.5 | + 7.8 | - 1.7 (Jan. — May) |
| **MINING** | | | |
| Oil Production | +20.8 | +19.6 | + .92 (Jan. — Apr.) |
| Gas Production | +16.8 | + 7.3 | + 3.4 (Jan. — Apr.) |
| Footage Drilled | +21.9 | +28.3 | + 4.9 (Jan. — May) |
| Number of Wells Drilled | +13.1 | +33.2 | +90.9 (Jan. — May) |
| Coal Production | +14.1 | - 0.4 | + 2.4 (Jan. — May) |
| **CONSTRUCTION** | | | |
| Urban Dwelling Starts | - 15.4 | - 7.2 | + 0.8 (Jan. — May) |
| Rigid Insulation Board Shipments to Alberta | + 5.9 | - 1.7 | - 2.6 (Jan. — May) |
| Value of Alberta Building Permits | +12.1 | +20.0 | +39.9 (Jan. — May) |
| **AGRICULTURE** | | | |
| Grain Shipments | - 2.9 | - 16.4 | + 2.9 (Jan. — June) |
| Livestock Marketed | - 1.6 | - 6.4 | N/A (Jan.) |
| Farm Cash Receipts | +14.0 | +32.3 | +78.1 (Jan. — May) |
| **FORESTRY** | | | |
| Lumber Production | +16.0 | +33.6 | - 3.1 (Jan. — May) |
| Lumber Sales | + 5.7 | +17.5 | - 22.8 (Jan. — May) |
| Lumber Exports | +24.7 | + 2.5 | - 36.5 (Jan. — May) |
| Pulpwood Production | +47.8 | +46.6 | +106.8 (Jan. — May) |

| UNEMPLOYMENT RATE (unadjusted) | JUNE 1974 | MAY 1974 | JUNE 1973 | MAY 1973 |
|---|---|---|---|---|
| Canada | 4.8 | 5.4 | 5.2 | 5.3 |
| Alberta | 2.1 | 2.6 | 3.2 | 3.7 |
| **CONSUMER PRICE INDEX (1961 = 100)** | | | | |
| Calgary—Edmonton | 155.7 | 154.1 | 141.1 | 140.1 |

projects of long duration, but there is still a reluctance among workers to work on camp jobs or in remote areas. This may be due to the growing feeling that there is no longer an economic necessity to go to remote/northern areas if jobs are plentiful somewhere else. Also, some of the respondents felt that with our higher standard of living, construction workers have come to expect more than adequate working conditions in camps, such as provision for recreational facilities, etc.

- Construction company executives foresee tough bargaining in the spring of 1975. Among the reasons given were spinoff effects from the construction settlements in Saskatchewan and B.C.; the large volume of work in the industry and the effects of the recent amendment to the Alberta Labour Act which will allow industry and unions to negotiate no-strike-no-lockout agreements for the development of the oil sands.

The respondents offered several solutions to the problem of labour shortages:

- Programs to attract more young people to the trades should be undertaken.
- Training facilities should be expanded to provide more re-training and upgrading courses.
- A relaxation of the apprenticeship ratio, shortened apprenticeship programs, and some form of block training or training along the family trade concept were also advocated by industry leaders. Union leaders, however, object strongly to these proposals.
- All respondents agreed that immigration should be the last resort when considering the problem of manpower shortages. Interviewees feel strongly about tapping Canadians first for available jobs. Should importing workers be actively pursued, they suggest that it be done via a temporary working permit, or on a very selective basis.

## INTERNATIONAL AFFAIRS

After two straight quarters of decline in real GNP, many people now believe that the United States is in the midst of a recession. Real American output of goods and services declined on an annual basis, by 6.3% in the first quarter and by 6.8% during the second quarter. The inflation rate in these two quarters was 11.5 and 8.8 per cent respectively.

However, many people disagree with this view, including the chairman of President Nixon's Council of Economic Advisors, Herbert Stein and Geoffrey Moore of the National Bureau of Economic Research. They base their optimism partly on the strength of June's 5.2% unemployment rate and a decline of only .1% in industrial production from last year's level. In the five recognized American recessions since the Second World War, unemployment has been no lower than 6.1% and the drop in industrial production had been no less than 7.2%.

Other first and second quarter results from the United States include:

- New construction to the end of June was 26% behind last year's figures.
- Farmers' incomes were down 40% from the first of the year and 29% below last year's June level.
- Personal income in the United States rose by .7% in June following an increase of .8% in May.
- On the positive side the United States recorded a record surplus of $2.065 billion in its international payment positions in the first quarter of this year.

## BUSINESS OUTLOOK

According to the most recent edition of "Investment Comment," a publication of A. E. Ames & Co., real growth in the Canadian economy to the end of 1975 is expected to return to its more historical level. Specifically a 5.2% increase is anticipated in real growth in 1974, while an additional 5% increase in 1975 is expected. This is in spite of a relatively slow growth period anticipated during the second half of 1974 and into early 1975. It is felt that this slowdown will be beneficial in so much as it will mitigate against inflation which in the first half of the year has been averaging at annual rates of about 12%. By year's end it is expected that the rate will have slowed to between 6 and 7%.

Other highlights of this outlook include:

- Business profits are forecasted to register a 15% increase this year, although beginning in the third quarter, a quarter over quarter decline in foreseen.
- Wages and salaries will increase while productivity declines.
- Sales volume will grow more slowly, due to an expected real decline in consumer spending.
- Residential construction will decline due to the effects of high interest rates.
- There will be some deterioration in Canada's foreign trade balance.
- Money supply growth is anticipated at between 13 and 15 per cent, down from its average compound growth rate since 1971 of 17%.

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